Unit-11 Marketing Management

11.1 MARKETING MANAGEMENT

Marketing is the management process for identifying, anticipating and satisfying customer requirements profitably. The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

It is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

American Marketing Association defines Marketing as "The performance of business activity that direct flow of goods and service from producer to consumer or users"

According to Philip Kotler defines "Marketing is social Process by which individuals and group obtain what they need and want through creating, offering and freely exchanging products and services of value to each other's."

According to Stanton, Etzel and Walker "Marketing is total system of business activity designed to plan, price, promotion, and distribution want satisfying products to target market to achieve organizational Objectives"

According to Peter Drucker "Marketing is so basic that it cannot be considered as separate function."

It is the whole business seen from the point of view of its final result, that is, from the customer's point of view'.

Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communication and promotion.

Marketing is the economic process by which goods and services are exchanged between the maker and the user and their values determined in terms of money prices.

Marketing origination with the recognition of a need on the part of a consumer and termination with the satisfaction of that need by the delivery of a usable product at the right time, at the right place, and at an acceptable price. The consumer is found both at the beginning and at the end of the marketing process.

It is obvious from the above definitions of marketing that marketing has been viewed from different perspective. Now it is imperative to discuss the important terms on which definition of marketing rests: **needs, wants, and demands**; products; value, cost, and satisfaction; exchange, transactions and relationships; markets; and marketers. **These terms are also known as the core concepts in marketing.**

Need, Wants and Demand

Need : Necessity, something that is required to survive or to sustain.

Needs can be classified to different categories :

- **Physical Needs :** basic requirements of life (foods, air, home, safety)
- **Social Needs :** basic requirements of human beings (family, friends) for different of relationships.
- **Individual Needs :** education, knowledge, expression, creativity, ego-needs (self-esteem).

Want : Wants are goods or services that are not necessary but that we desire or wish for.

Wants are the form taken by needs as they are shaped by the one's culture and personality. Wants are thus shaped by both the internal and external factors. Wants are described in terms of objects that will satisfy needs. For example, thirst is a need. To quench this thirst, a person may consider a number of options - drink water or a soft drink or a fruit juice.

Demand : Willing and able to buy. Things that you want to buy/consume and your pocket allows its consumption, i.e. you can afford it, thus you demand that thing.

11.1.1 Marketing Concept

The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

Therefore Levitt drew a perceptive contrast between the selling and marketing concepts. Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash, marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.

Marketing Concept is a business philosophy that challenges the above three business orientations. Its central tenets crystallized in the 1950s.

It holds that the key to achieving its organizational goals (goals of the selling company) consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its selected target customers.

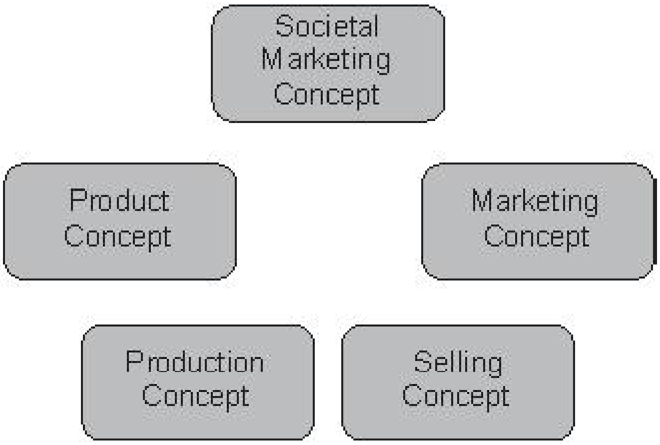
The marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability.

Distinctions between The Sales Concept and The Marketing Concept

- The Sales Concept focuses on the needs of the seller. The Marketing Concept focuses on the needs of the buyer.
- The Sales Concept is preoccupied with the seller's need to convert his/her product into cash. The Marketing Concept is preoccupied with the idea of satisfying the needs of the customer by means of the product as a solution to the customer's problem (needs).

The Marketing Concept represents the major change in today's company orientation that provides the foundation to achieve **competitive advantage**. This philosophy is the foundation of **consultative selling.**

The Marketing Concept has evolved into a fifth and more refined company orientation : The Societal Marketing Concept. This concept is more theoretical and will undoubtedly influence future forms of marketing and selling approaches.



The Production Concept

This concept is the oldest of the concepts in business. It holds that consumers will prefer products that are widely available and low-cost. Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution.

They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features.

This was from the beginning of Capitalism to the mid 1950's. During the era of the Production concept, Business concerned itself primarily with production, manufacturing, and efficiency issues.

In a production-orientated business, the needs of customers are secondary compared with the need to increase output. Such an approach is probably most effective when a business operates in very high growth Markets or where the potential for economic of scale is significant. It is natural that the companies cannot deliver quality Products and suffer from problems arising out of impersonal behavior with the customers.

The Products Concepts

The Products concept proposes that consumers will prefer Products that have better quality, Performance and features as opposed to a normal product. The concept is truly applicable in some niches such as electronics and mobile handsets.

Two companies which stand apart from the mass when we talk about the product concept are Apple and Google. Both of these companies have strived hard on their products and deliver us feature rich, innovative and diverse application products and people just love these brands.

One problem which has been associated with the product concept is that it might also lead to marketing Myopia. Thus companies need to take innovations and features seriously and provide only those which the customer needs. The customer needs should be given priority.

On the other hand, innovating too soon becomes a problem. Several innovative products are marked as experimental in the market instead of being adopted as a result of which these products have less shelf life and might have to be taken off the market.

Thus companies following the product concept need to concentrate on their technology such that they provide with excellent feature rich and innovative products for optimum Customer Satisfaction.

The Selling Concepts

The sales era began in the late 1920 and latest till mid 1950's. The economic depression of the late 1920 proved the production the goods was not everything. By the mid 50's, supply was starting to excess demand in many industries. Businesses had to concentrate on ways of selling their products. Numerous sales techniques such as closing, probing, and qualifying were all developed during this period and the sales de-apartment had an exalted position in a company's organizational structure.

In a modern marketing situation the buyer has a basket to choose from and the customer is also fed with a high decibel of advertising. So often there is a misconception that marketing is all about selling. The problem with this approach is that the customer will certainly buy the Product after the encouragement and if dissatisfied will not speak to others. In reality this does not happen and companies pursuing this concept often fail in the business.

The Marketing Concept

The marketing era began in the mid 1950's. Companies for the first time identified the importance of consumer needs and wants in the exchange process between the buyer and seller.

The marketing concept also demands that the strategic decisions made by the company are taken keeping the customer in mind. Especially the needs, Wants and demands of the customers. A holistic approach is taken with the whole organization striving to make the customer experience better. Applying the marketing concept also means knowing what the market needs and expects from the company as a result of which companies which apply the marketing concept need to carry out more of Market Research.

The marketing concept is the most followed ideology by top companies. This is because, with the rise of economy, consumers have become more knowledgeable and choosy as a result of which the organization cannot concentrate on what it sells but rather it has to concentrate on what the customer wants to buy

As we are ultimately satisfying the customer, the marketing concept also demands that the organization integrate all its different departments to give value to the customer. This means that all the departments including Marketing, Finance, HR or operations should have an idea of the core objectives of the company as well as the goal of the company.

The Societal Marketing Concepts

The societal Marketing Concept was an offshoot of the marketing concept wherein an organization believes in giving back to the society by producing better Products targeted towards society welfare. The marketing concept is an appropriate philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglected social services.

The marketing concept sidesteps the potential conflicts among consumer wants, consumer interests, and long-run societal welfare.

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest. Yet a number of companies have achieved notable sales and profit gains by adopting and practicing the societal marketing concept. Some companies practice a form of the societal marketing concept called cause related marketing. Pringle and Thompson define this as "activity by which a company with an image, Products or service to market builds a relationship or partnership with a 'cause,' or a number of 'causes,' for mutual benefit.

Holistic Marketing

Holistic Marketing Concept is probably the newest approach to marketing and the latest business concept. It originated as a response to fundamental changes in the current marketing environment (demographic changes, globalization, hyper competition. **Internet** development, **corporate** social responsibility, etc.).

Philip Kotler and Kevin Lane Keller define this holistic approach as follows : "A holistic marketing concept is based on the development, design and implementation of marketing programs, processes and activities that recognize the breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution."

Holistic marketing is a marketing philosophy that believes 'everything matters'. This is an approach which proposes that marketing should be looked from a broad and integrated perspective and not as an isolated management function. Holistic marketing not only considers the fact that customers have varying requirements but also caters to these individual customer requirements.

Holistic marketing concept includes all elements of marketing mix 4P, closely related to the marketing mix 4C and web marketing mix 4S.

According to both authors, there are four main components of holistic marketing :

- Relationship Marketing
- Integrated Marketing
- Internal Marketing
- Socially responsible marketing

1. Internal Marketing

Internal marketing is an important 'implementation' tool. It aids communication and helps us to overcome any resistance to change. It informs, and involves all staff in new initiatives and strategies. It is simple to construct, especially if we are familiar with traditional principles of marketing".

Internal marketing is based on the theme that employees are the internal customers of a firm and their satisfaction is of utmost importance in order to achieve the goal of customer satisfaction. Internal marketing ensures building a skilled and self-motivated workforce and that every member of the organization properly understands the company's marketing orientation and philosophy towards the customer satisfaction.

Internal marketing is also about maintaining harmony and co-ordination among various marketing functions and activities within the organization. There should not be any conflicts within the marketing department or between marketing and other departments because that would somehow negatively affect external marketing also.

2. Integrated Marketing

According to American Marketing Association "A planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time".

Integrated marketing is based on the proposition that the marketers instead of deciding for individual marketing activities should make an integrated marketing program with the purpose to create, communicate and deliver value for the customers. The aim of integrated marketing is to gain synergy out of all marketing activities and it is only possible when an integrated approach is adopted. It is basically about designing an effective integrated marketing mix executed well to derive synergy.

Many experienced business executives concluded, that integrated marketing is needed in this fragmented world full of large organizations. This integrated marketing with its holistic concept, where everything matters and the wholeness exists in every part of the business, should be used to create adequate and maintainable success for everyone, the organization, its shareholders and the customers.

Basic element of integrated marketing is the identity. This identity will be researched and then implemented as a strategy, using the company's business model, vision, values, brand and its products. The performance will be determined and by using an improved creative communication.

3. Relationship Marketing

According to American Marketing Association "Marketing with the conscious aim to develop and manage long-term and/or trusting relationships with customers, distributors, suppliers, or other parties in the marketing environment".

Relationship marketing is concerned with building long-lasting relationships with various parties connected to a business including the customers, employees, suppliers, financial institutions, regulatory bodies, competitive firms and the society in general. Relationship marketing is about building relationships with all those who can affect the firm's success or are capable of adding value to it at any level.

The traditional selling approach where the customers and firm interacted only during sales is no more acceptable in current environment. Today the firms need to maintain a regular contact and keep reminding of the brand to the customers. Repeat purchases by the customers demand a strong relationship with them. Relationship marketing suggests not only building relationships but also enhancing them over the time.

Relationship marketing builds strong economical, technical and social bonds between the parties. Furthermore it is crucial to keep these business relationships. Besides customer relationship management - CRM, marketing also has to take care of partner relationship management - PRM.

There are four key units in Marketing :

- Customers
- Employees
- Marketing partners such as: channels, distributors, suppliers, dealers, agencies
- Financially interested unit such as: shareholders, investors, analytics.

The final accomplishment of relationship marketing is to create a successful asset called marketing network. This marketing network consists of a company and its four key units mentioned above.

Nowadays it is not the companies competing against each other, but it is the marketing networks.

Understanding of possibilities and resources of different groups of people and departments must meet with demands, missions and wishes. Increasing number of organizations design particular offerings for their individual customers. These companies collect information of previous transactions of single customer.

They collect important information about demographic and psychological factors including distribution preferences. What these companies hope for is the raise of revenues from such customers. They believe to get long-life relationships due to growth of loyalty. The ability to negotiate with each customer individually has become applicable thank to continual progress of production, computers, internet and marketing databases.

Therefore according to Kotler this approach is applicable mostly in companies which collect customer information usually, which create and/or sell products that require periodical replacement, improvement and have higher value such as companies in car industry.

4. Socially Responsible Marketing

According to American Marketing Association "The obligation of marketing organizations to do no harm to the social environment and, wherever possible, to use their skills and resources to enhance that environment"

Holistic marketing suggests that the marketer's responsibility is not limited to the customers but it extends to the society in general. Societal marketing suggests that marketing should consider ethics, society, laws and the environment while designing activities.

Any such marketing activities which are economically profitable but socially harmful are strictly restricted under societal marketing aspect of holistic marketing. The marketing should not adopt an irresponsible behavior towards the society. The increasing popularity of societal marketing aspect can be well understood by the larger evidences of corporate social responsibility activities undertaken by most firms now days.

Many business strategies and approaches are attacked by the public, because the situations are very often on the ethical edge. These situations seem to be complicated since it is difficult to define the border between "standard" marketing behavior and unethical practice.

On the other hand as Phillip Kotler (2007) mentioned in his book there are many business activities unethical, or even illegal such as :

- Bribes
- Stealing of business secret
- Untrue advertising
- Exclusive negotiation
- Quality failure, or dangerous products
- False warranty
- Price-fixing

Social responsibility marketing is internally divided into four basic practices :

- Corporate social responsibility
- Social responsible business models
- Cause-related marketing
- Social Marketing

Mass Marketing

Mass marketing is a market strategy in which a firm decides to ignore market segment differences and appeal the whole market with one offer or one strategy, which supports the idea of broadcasting a message that will reach the largest number of people possible.

Traditionally mass marketing has focused on radio, television and newspapers as the media used to reach this broad audience. By reaching the largest audience possible, exposure to the product is maximized, and in theory this would directly correlate with a larger number.

Advantages of Mass Marketing

- Maximizes income
- If one sector declines this is likely to be compensated for by growth in other sectors.
- Allows reduction in average costs through economies of scale.
- Allows Brands to be used to their full value of sales or buys into the product.

Disadvantages of Mass Marketing

- Heavy advertising costs, to establish brands and keep them in public eye.
- High development costs of products.
- Competition is often fierce.
- Companies must be market orientated - this brings high innovation and market research costs.

Niche Marketing

A niche market does not mean a small market, but it involves specific target audience with a specialized offering. By doing so, the company becomes a market leader and it becomes possible for other firms to enter that particular segment.

Niches do not 'exist' but are 'created' by identifying needs, wants, and requirements that are being addressed poorly or not at all by other firms, and developing and delivering goods or services to satisfy them. As a strategy, niche marketing is aimed at being a big fish in a small pond instead of being a small fish in a big pond also called micromarketing.

Niche marketing is a marketing tactic deployed to target a specific market segment which is unique. Niche market is often created by identifying what a customer wants and this can be done if the company knows what the customer needs and then tries to deliver a better solution to a problem which was not presented by other firms.

There are various advantages of niche marketing. One of the benefits of niche market is that there is no or little competition under that segment. The company is virtually the market leader and enjoys price monopoly.

The another benefit is the strong relationship with the customers because of the fact that the company operates in a small segment, the relationship between the company and the brand becomes stronger which is also a key to customer loyalty.

Q. *What is mass marketing ?* ***(June 2012) P-III***

(A) Offering the same products and marketing mix to all consumers.

(B) Offering variety of products to the entire market.

(C) Offering differentiated products to all customers.

(D) Following concentrated marketing strategy.

Ans. *(A)*

Q. *Which terms are often used interchangeably in marketing literature ?* **(June 2012) P-III**

(A) Concept, method, philosophy (B) Concept, approach, technique

(C) Orientation, concept, philosophy (D) Philosophy, system, concept

Ans. (C)

Q. *Which of the following concepts is based on development, design and implementation of marketing programmes, processes and activities that recognise their breadth and interdependence ?* **(June 2013) P-II**

(A) Product concept (B) Sales concept

(C) Societal marketing concept (D) Holistic marketing concept

Ans. (D)

Q. *The selling concept is most likely to be used by firms which sell* **(June 2013) P-II**

(A) Convenience goods (B) Shopping goods

(C) Speciality goods (D) Unsought goods

Ans. (D)

Q. *The concept of marketing-mix, consisting of the 4 P's of marketing, was developed by* **(June 2013) P-II**

(A) E. Jerome McCarthy (B) Peter F. Drucker

(C) Philip Kotler (D) William J. Stonton

Ans. (A)

Q. *Which segmentation approach is the most compatible with the spirit of the marketing concept ?* **(June 2013) P-III**

(A) Benefit sought (B) Income

(C) Social class (D) Family size

Ans. (A)

Q. *Which of the following is not the major component of holistic marketing ?* **(Dec. 2013) P-II**

(A) Relationship marketing (B) Integrated marketing

(C) Customer satisfaction (D) Socially-responsible marketing

Ans. (C)

Q. *The set of all actual and potential buyers of a product is known as* **(Dec. 2013) P-II**

(A) Customer group (B) Industry

(C) Market (D) None of the above

Ans. (C)

Q. *In the model of consumer behaviour given by Philip Kotler, what constitutes the marketing stimuli ?* **(Dec. 2013) P-II**

(A) Marketing environment (B) Four P's of marketing

(C) Consumer needs and wants (D) None of the above

Ans. (B)

Q. *Which one is not a major component of holistic marketing ?* ***(June 2014) P-III***

(A) Relationship marketing *(B) Integrated marketing*

(C) Internal marketing *(D) Socially responsible marketing*

Ans. *(C)*

Q. *"Relationship" in marketing means* ***(Dec. 2014) P-III***

(A) Relation between buyer and seller

(B) Relation between sales person

(C) Relation between company and consumers

(D) All of the above

Ans. *(C)*

11.1.2 Marketing Approaches

The study of marketing has been approached in more than one way. To some it has meant to sell something at a shop or market place; to some it has meant the study of individual product and its movement in the market; to some it has meant the study of persons-wholesalers, retailers, agents etc., who move the products and to some it has meant the study of behaviour of commodity movement and the way the persons involved to move them. The approach to the study of marketing has passed through several stages before reaching the present stage.

1. Product or Commodity Approach : Under the commodity approach the focus is placed on the product or it is an approach on the marketing on commodity wise basis. In other words, the study relates to the flow of a certain commodity and its movement from the original producer right up to the ultimate customer.

2. Institutional Approach : In the institutional approach, the focus is on the study of institutions-middlemen, wholesalers, retailers, importers, exporters, agencies, warehousing etc., engaged in the marketing during the movement of goods. The approach is also known as middlemen approach.

The activities of each institution form a part of marketing and collectively complete the marketing functions. In the process of moving the goods from the producer to the final consumers, a large number of persons are engaged. This system pays attention to the problems and functions of marketing institutions-transporting, banks and other financial institutions, warehousing, advertising, insurance etc.

3. Functional Approach : The functional approach gives importance on the various functions of marketing. In other words, one concentrates attention on the specialized services or functions performed by marketers.

In this approach, marketing is regarded as "business of buying and selling and as including those business activities involved in the flow of goods and services between producers and customers." This system gives too much importance to various marketing functions and fails to explain how such functions are applied to the specific business operations.

4. Management Approach : This approach is the latest and scientific. It concentrates upon the activities or marketing functions and focuses on the role of decision-making at the level of firm. This approach is mainly concerned with how managers handle specific problems and situations. It aims through evaluation of current market practices to achieve specific marketing objectives.

5. System Approach : The system approach can be defined as "a set of objects together with the relationships among them and their attributes." Systems focus on interrelations and interconnections among the functions of marketing. The system examines marketing connections (linkage) inside as well as outside the firm. Inside the firm there is a co-ordination of business activities-engineering, production, marketing, price etc.

6. Societal Approach : This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer's needs. Therefore, attention is paid to ecological factors (sociological, cultural, legal etc.) and marketing decisions and their impact on the society's well-being.

7. Legal Approach : This approach emphasizes only one aspect i.e., transfer of ownership to buyer: It explains the regulatory aspect of marketing. In India, the marketing activities are largely controlled by Sales of Goods Act, Carrier Act etc. The study is concentrated only on legal aspects, leaving other important aspects. This does not give an idea of marketing.

8. Economic Approach : This approach deals with only the problems of supply, demand and price. These are important from the economic point of view, but fail to give a clear idea of marketing.

11.1.3 Marketing Channels

The marketing mix model portrays the marketing management process as a "strategic blending" of the four controllable marketing variables (product, price, promotion, and place). External uncontrollable elements include the economy, technology, government, sociocultural patterns of buyer behavior and competition.

Channel strategy fits under "place" in the marketing management strategy and managers must operate their marketing channels in such a way as to support and enhance the other strategic variables in the marketing mix.

Marketing channels are the ways that goods and services are made available for use by the consumers. All goods go through channels of distribution, and marketing depends on the way goods are distributed. The route that the product takes on its way from production to the consumer is important because a marketer must decide which route or channel is best for his particular product.

A marketing channel can be defined as an array of exchange relationships that create customer value in the acquisition, consumption, and disposition of products and services. This definition implies that exchange relationships emerge from market needs as a way of serving market needs. Channel members must come to the marketplace well equipped to address changing market needs and wants.

Flows in Marketing Channels

1. Product Flow
2. Negotiation flow
3. Ownership flow
4. Information flow
5. Promotion flow

1. **Product flow** is the actual physical movement of the product from the manufacturer through all the parties to the consumer.
2. **Negotiation flow** represents the interplay of the buying and selling functions associated with the transfer of title or rights of ownership. Negotiation is a two-way process involving mutual exchange between buyer and seller.
3. **Ownership flow** is the movement of the title of the product from one stage in the process to another.
4. **Information flow** involves two directions - from the manufacturer to the consumer and from the consumer to the manufacturer. This flow includes transportation as information deemed necessary for the actual delivery of the product is communicated to the transportation agents.
5. **Promotion flow** refers to the flow of persuasive communication in the form of advertising, personal selling, sales promotion and publicity. This flow adds the advertising agency as an element of promotion.

These intermediaries constitute a marketing channel.

Different Type of Intermediaries

- Merchants
- wholesalers and retailers
- Agents
- brokers, manufacturers' representatives, sales agents
- Facilitators - transportation companies, independent warehouses, banks, advertising agencies Channels not only link a producer of goods to the goods' buyer but also provide the means through which an organization implements its marketing strategy.

Electronic Marketing Channels

- A feature of these channels is that they often combine electronic and traditional intermediaries.
- It also must be assessed on its revenue- producing capability relative to the costs of achieving market coverage and satisfying buyer requirements.

Channel Selection at Retail Level

Three questions should be considered when choosing marketing channel :

- Which channel and intermediaries will provide the best coverage of the target market ?
- Which channel and intermediaries will best satisfy the buying requirements of the target market ?
- Which channel and intermediaries will be the most profitable ?

Target Market Coverage

Decide on the density and type of intermediaries to be used. Three degrees of distribution density exist :

1. **Intensive distribution** consists of the manufacturer placing the goods or services in as many outlets as possible. It is generally used for items such as tobacco products, soap, snack foods, and gum, products for which the consumer requires a great deal of location convenience. Intensive distribution increases product and service availability but May also result in retailers competing aggressively.
2. **Exclusive distribution** means severely limiting the number of intermediaries. It is used when the producer wants to maintain control over the service level and outputs offered by the resellers. Often it involves exclusive dealing arrangements. A common form of an exclusive agreement is a franchise agreement.
3. **Selective distribution** involves the use of more than a few but less than all the intermediaries who are willing to carry a particular product. The company does not have to worry about too many outlets; it can gain adequate market coverage with more control and less cost than intensive distribution. Dell, Inc. is a good example.

11.1.4 Marketing Mix

Marketing involves a number of activities. To begin with, an organization may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as 'Marketing Mix'.

A marketing expert named **E. Jerome McCarthy** created the Marketing 4Ps in the 1960s. This classification has been used throughout the world. Business schools teach this concept in basic marketing classes.

According to Philip Kotler "Marketing Mix is the set of controllable variables that the firm can use to influence the buyer's response"

According to Kotler and Armstrong "The marketing mix is ... The set of controllable tactical marketing tools - product, price, place, and promotion - that the firm blends to produce the response it wants in the target market"

According to Mr. Jerome McCarthy "Marketing mix is a pack of four sets of variables, namely product variable, price variable, promotion variable, and place variable"

The concept of marketing mix was evolved by **Prof. N.H.Barden of Harward Business School of America.** In his words, marketing mix refers to two things.

(a) A list of important elements or ingredients that make up the marketing programme and

(b) The list of forces having bearing on marketing operations.

In simple words marketing mix means a marketing programme that is offered by a firm to its target consumers to earn profits through satisfaction of their wants. Such a marketing programme is a mixture of four ingredients, namely Product mix, Price mix, Place (Distribution) mix and Promotion mix.

The controllable variables in this context refer to the 4 'P's [product, price, place (distribution) and promotion]. Each firm strives to build up such a composition of 4'P's, which can create highest level of consumer satisfaction and at the same time meet its organizational objectives.

- **Product mix** indicates the decisions of the firm regarding the product design, product range, product packing, product quality, product branding, product labeling and after sale service.
- **Price mix** reflects the managerial decisions of the business pertaining to pricing policies and strategies, terms of credit, terms of delivery, margin of profit, discount and allowances.
- **Place (Distribution) mix** is made up of managerial decisions about the channels of distribution, transportation, warehousing and inventory control.
- **Promotion mix** covers variables such as personal selling, advertising, publicity, sales promotion, public relations, trade fairs and exhibitions used in promotion of sales.

4Ps of Marketing Mix

1. Price : Price is one of the most important marketing mix items and many scientists consider the price as one of the most important elements of the market, which increases not only profits, but also market share. However, the price is not only one of the key factors in a competitive situation, which directly affects the company's sales and profitability indicators, but also one of the most flexible marketing mix elements, which can quickly adapt to environmental changes.

According to Philip Kotler, "Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service."

Price is the second element of marketing mix. The product has to be adequately priced. Price is the only element that brings revenue to the business. The other elements of marketing mix, such as product, promotion and physical distribution involve expenditure. Hence, pricing should be done with utmost care. The factors considered while determining the prices are target customers, price elasticity of demand, cost of production, level of competition, government restrictions on price, if any, and social responsibility of business.

2. Product : Product is the main element of marketing. Without a product, there can be no marketing.

According to Philip Kotler "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need"

According to Alderson, "Product is a bindle of utilities, consisting of various product features and accompanying services".

A product stands for the organization's offer to the market place. It provides physical comfort and psychological satisfaction to the buyers. It may be both tangible or intangible. Tangible product is one that can be seen and touched in its physical presence. The examples are - garments, shoes, mobiles, vehicles, soaps, vegetables, etc. Intangible product is one that cannot be seen and touched, but can be felt. It is in the form of services. The examples of intangible products are - education, medical care, insurance, banking, travel and transport, holiday resorts, etc.

3. Place : Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. Woolens are manufactured on a large scale in Ludhiana and purchase them at a store from the nearby market in town. So, it is necessary that the product is available at shops in town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution). The organization has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. It can even plan to sell it directly to consumers.

4. Promotion : An excellent product with competitive price cannot achieve a desired success and acceptance in market, unless and until its special features and benefits are conveyed effectively to the potential consumers.

Promotion does the task of effective and persuasive communication of the product features and benefits to the potential consumers. Promotion is a process of communication that informs influences and persuades a potential consumer to buy the product or service. It is the third essential ingredient of marketing mix.

The sub-elements of promotion are - personal selling, advertising, publicity, sales promotion, public relations, trade fairs and exhibitions, etc. Promotion strategies include decisions on budgets, theme, media selection, timing, proper evaluation of the promotional effectiveness and appropriate feedback system to facilitate market research.

Thus, marketing mix is the proper combination of the above four ingredients. The business firms use such a mix to achieve desired level or turnover in the target market. The marketing mix should be regularly revised in order to meet the requirements of changes in the marketing environment of the business. Changes in the customer, preferences also call for alterations in the marketing.

Marketing Mix 7P's

The 7Ps model is a marketing model that modifies the 4Ps model. The 7Ps is generally used in the service industries. 7 P's are

5. People : People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the individual needs of the person consuming it.

According to Zeithaml et al "People are... . All human actors who play a part in service delivery and thus influence the buyers' perceptions; namely, the firm's personnel, the customer, and other customers in the service environment"

The company's employees are important in marketing because they are the ones who deliver the service. It is important to hire and train the right people to deliver superior service to the clients, whether they run a support desk, customer service, copywriters, programmers…etc.

When a business finds people who genuinely believe in the products or services that the particular business creates, it's is highly likely that the employees will perform the best they can.

6. Processes : This term is commonly used for manufacturing concern. There are a number of perceptions of the concept of process within the business and marketing literature. Some see processes as a means to achieve an outcome, for example - to achieve a 30% market share a company implements a marketing planning process.

According to Zeithaml et al The actual procedures, mechanisms, and flow of activities by which the service is delivered - this service delivery and operating systems.

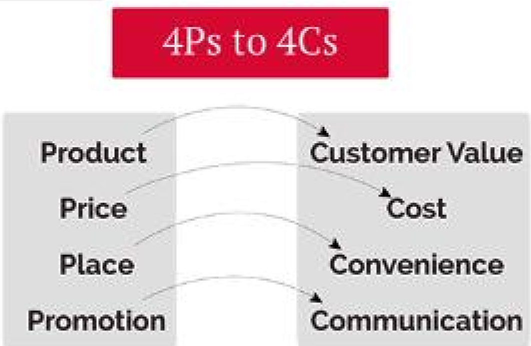
However in reality it is more about the customer interface between the business and consumer and how they deal with each other in a series of steps in stages, i.e. throughout the process.

7. Physical Evidence : In the service industries, there should be physical evidence that the service was delivered. Additionally, physical evidence pertains also to how a business and its products are perceived in the marketplace.

Physical evidence comprises of the elements which are incorporated into a service to make it tangible and somewhat measurable. At the same time, it also helps in the Positioning of the brand and for targeting the right kind of customers.

The best example of Physical evidence in use is the hospitality industry. Airlines offer premium travel as well as economy classes. Similarly, restaurants are known to be 3 star, 4 star, 5 star. All such differentiation, and the target customer that accompanies such differentiation, is because of the use of physical evidence in marketing.

Marketing Mix 4C's



The 4Cs marketing model was developed by **Robert F. Lauterborn** in 1990. It is a modification of the 4Ps model. It is not a basic part of the **marketing mix definition,** but rather an extension. Here are the components of this marketing model :

(a) **Cost : According to Lauterborn,** price is not the only cost incurred when purchasing a product. Cost of conscience or opportunity cost is also part of the cost of product ownership.

(b) **Consumer Wants and Needs :** A company should only sell a product that addresses consumer demand. So, marketers and business researchers should carefully study the consumer wants and needs.

(c) **Communication : According to Lauterborn,** "promotion" is manipulative while communication is "cooperative". Marketers should aim to create an open dialogue with potential clients based on their needs and wants.

(d) **Convenience :** The product should be readily available to the consumers. Marketers should strategically place the products in several visible distribution points.

Whether are using the 4Ps, the 7Ps, or the 4Cs, marketing mix plan plays a vital role. It is important to devise a plan that balances profit, client satisfaction, brand recognition, and product availability. It is also extremely important to consider the overall "how" aspect that will ultimately determine success or failure.

Q. *What is relevant to place variable of marketing mix ?* ***(June 2012) P-III***

(A) Branding *(B) Price penetration*

(C) Sales personnel motivation *(D) None*

Ans. *(C)*

Q. *The service marketing mix is an extended marketing mix and includes :*

(i) People *(ii) Process*

(iii) Service *(iv) Physical evidence*

Codes : ***(June 2015) P-II***

(A) (ii), (iii) and (iv) *(B) (i), (ii) and (iii)*

(C) (i), (ii) and (iv) *(D) (i), (iii) and (iv)*

Ans. *(C)*

11.1.5 Marketing Planning

Planning is the primary function of the management. It is the process of thinking about and organizing the activities required to achieve the desired objectives or goals.

The marketing planning is a comprehensive blueprint which outlines an organization's overall marketing efforts. It typically results in a marketing strategy that can be used to increase sales for the business producing it.

According to Stephen Morse "Marketing planning is concerned with the identification of resources that are available and their allocation to meet specified objectives."

According to American Marketing Association "Marketing planning is the work of setting up objectives for marketing activities and of determining and scheduling the steps necessary to achieve such objectives."

On the basis of above definitions, the marketing planning is the road map of an organization for selecting a target market and then satisfying the consumers. It is a continuous process in which the marketing objectives of an enterprise are decided and marketing programs, policies and procedures are determined for the performance of different marketing activities like marketing research, sales forecasting, product planning and development, pricing, advertisement and sales promotion, physical distribution and after sale services, etc.

A Marketing Plan is a written strategy for selling the products/services of a new business. It reflects how serious a company is in meeting the competition head on, with strategies and plans to increase market share and attract customers. An effective Marketing Plan is backed by carefully collected market, consumer and competitor information, sometimes citing professional advice.

Objective of Marketing Planning

(a) **A situational Analysis :** A 'situational analysis' is simply a snapshot of company's current situation. List company's strengths, weaknesses, opportunities and threats. When trying to determine strengths and company's competitive advantage is. In what ways is product notable, or superior to other products ?

(b) **Target Audience :** It's absolutely key that identify target audience. If Management don't know target audience, He may as well not be in business! Manager should then describe target audience in terms of demographics, such as age, sex, earnings, religion, or family composition, or by lifestyle (healthy, active, sedentary, etc.) Then try to determine their thinking habits. Are they conservative, modern ? Introverted, extroverted ? How often do they purchase product, and in what quantity ?

(c) **Outline Marketing Strategies :** Which methods and outlets will use to push product ? Consider other forms of marketing you may not have considered: billboards, print advertising, Promotion via Print Media, etc. For more examples of marketing strategies for small businesses, check out Previous Post.

(d) **Set a Budget :** Every successful business has to have a Marketing Budget. Marketing is absolutely essential to the success of business. Don't think that marketing is out of budget-with so many different marketing tactics available, including digital media, Manager can find a mix of strategies to appease even the tightest budget.

(e) The marketing objectives must usually be based, above all, on the organization's financial objectives; converting these financial measurements into the related marketing measurements. "Simplifying somewhat, marketing strategies can be seen as the means, or "game plan," by which marketing objectives will be achieved and, in the framework that we have chosen to use, are generally concerned with the 8 P's. Examples are :

- **Price :** The amount of money needed to buy products
- **Product :** The actual product
- **Promotion (Advertising) :** Getting the product known
- **Placement :** Where the product is sold
- **People :** Represent the business
- **Physical Environment :** The ambiance, mood, or tone of the environment
- **Process :** The Value-added services that differentiate the product from the competition (e.g. after sales service, warranties)
- **Packaging :** How the product will be protected

Process of Marketing Planning

Marketing planning process is a series of stages that are usually followed in a sequence. Organizations can adapt their marketing plan to suit the circumstances and their requirements. Marketing planning process involves both the development of objectives and specifications for how to achieve the objectives. Following are the steps involved in a marketing plan.

1. **Mission :** Mission is the reason for which an organization exists. Mission statement is a straightforward statement that shows why an organization is in business, provides basic guidelines for further planning, and establishes broad parameters for the future. Many of the useful mission statements motivate staff and customers.

2. Corporate Objectives : Objectives are the set of goals to be achieved within a specified period of time. Corporate objectives are most important goals the organization as a whole wishes to achieve within a specified period time, say one or five years.

All the departments of an organization including marketing department works in harmony to achieve the corporate objectives of the organization. Marketing department must appreciate the corporate objectives and ensure its actions and decisions support the overall objectives of the organization.

Mission statement and corporate objectives are determined by the top level management (including Board of Directors) of the organization. The rest of the steps of marketing planning process are performed by marketing department. All the actions and decisions of the marketing department must be directed to achieve organization mission and its corporate objectives.

3. Marketing Audit : Marketing audit helps in analysing and evaluating the marketing strategies, activities, problems, goals, and results. Marketing audit is done to check all the aspects of business directly related to marketing department. It is done not only at the beginning of the marketing planning process but, also at a series of points during the implementation of plan. The marketing audit clarifies opportunities and threats, so that required alterations can be done to the plan if necessary.

4. SWOT Analysis : The information gathered through the marketing audit process is used in development of SWOT Analysis. It is a look at organization's marketing efforts, and its strengths, weaknesses, opportunities, and threats related to marketing functions.

- **Strengths and Weaknesses** are factors inside the organization that can be controlled by the organization. USP of a product can be the example of strength, whereas lack of innovation can be the example of weakness.
- **Opportunities and Threats** are factors outside the organization which are beyond the direct control of an organization. Festive season can be an example of opportunity to make maximum sales, whereas increasing FDI in a nation can be the example of threat to domestic players of that nation

5. Marketing Assumptions : A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so lot of different things are assumed about customer.

For example :

- **Target Buyer Assumptions :** assumptions about who the target buyers are.
- **Messaging/Offering Assumptions :** assumptions about what customers think are the most important features of product to be offered.

  (i) **Marketing Objectives and Strategies :** After identification of opportunities and challenges, the next step is to develop marketing objectives that indicate the end state to achieve. Marketing objective reflects what an organization can accomplish through marketing in the coming years.

  Objective identifies the end point to achieve. Marketing strategies are formed to achieve the marketing objectives. Marketing strategies are formed to determine how to achieve those end points. Strategies are broad statements of activities to be performed to achieve those end points.

  (ii) **Forecast the Expected Results :** Marketing managers have to forecast the expected results. They have to project the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or fall short on what is promised to deliver.

  (iii) **Create Alternative Plan :** Alternate marketing plan is created and kept ready to be implement at the place of primary marketing plan if the whole or some part of the primary marketing plan is dropped.

  (iv) **Marketing Budget :** The marketing budget is the process of documenting the expected costs of the proposed marketing plan. One common method to allocate marketing budgeting is based on a percentage of revenue. Other methods are - comparative, all you can afford, and task method.

(v) **Implementation and Evaluation :** At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets etc.

The marketing planning process is required to be evaluated and updated regular. Regular evaluation of marketing efforts helps in achieving marketing goals.

- **Forecasting Customer Response :** Marketing managers have to forecast the response that the average customers will have to marketing efforts. Without some idea how the marketing will be received, managers can't accurately plan the promotions.
- **Forecasting Marketing Cost :** To make the marketing plan stronger, accurate forecast of marketing cost is required to be done.
- **Forecasting The Market :** To accurately forecast the market, marketing managers have to gain an intimate understanding of customers, their buying behaviour, and tendencies.
- **Forecasting The Competition :** Forecast of competition like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

Elements of Marketing Planning

1. Forecasting : A planning tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.

Forecasting starts with certain assumptions based on the management's experience, knowledge, and judgment.

These estimates are projected into the coming months or years using one or more techniques such as Box-Jenkins models, Delphi method, exponential smoothing, moving averages, regression analysis, and trend projection. Since any error in the assumptions will result in a similar or magnified error in forecasting, the technique of sensitivity analysis is used which assigns a range of values to the uncertain factors (variables).

2. Policies : The Policies guide the manager, administrator and the subordinate of the company as what to be done in a particular situation. A set of policies are principles, rules, and guidelines formulated or adopted by an Marketing Manager to achieve Market Target. Policy lays down the course of action selected to guide and determine present and future and decision.

Strategies.

3. Procedures : Procedure is a Marketing Planning. A procedures is a detailed set of instruction for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished.

4. Budget : Budget may be expressed in time, money, materials or other suitable units capable of numerical expression. Budget is an important for Marketing Planning.

5. Marketing Strategy : Identifying a target market and getting information about the competition is a critical first step in creating an effective marketing strategy. The core components of an overall marketing strategy -- product, place, price and promotion - form the 4 P's of the marketing mix. Although each component plays a significant role on its own, the strength of the 4 P's lies in how well they address a target market and business competition and how they function as a whole.

6. Rule : Rules are standing plans that guide action. Rules are particularly way of behaving in a particular situation. Rules signify some kind of regulations, positive or negative and permit no discretion in its application.

7. Programme : Programme refers to the outline of plans of work to be carried out in proper sequence for the purpose of achieving specific objectives. It consists a complex set of goals, policies, procedures, rules, job assignment and resources required to implement them.

8. Product : The concept of product in a marketing plan deals with finding the right product for your target market. The product must be something desired by the intended customer. A target market can be a certain age group of people, such as young adults; people of a certain geographic area, the Midwest or Southeast.

9. Price : Price is a very important element of the marketing mix. The company must create something of value for the consumer. The product must be one that the consumer is willing to pay a predetermined price for. Analysis is necessary to determine the price customers are willing to pay for a specific product. If price is too low, will not realize a profit. However, pricing higher than the other market suppliers of the product leads to decreased sales, also resulting in a loss for the company.

10. Place : Selling product in the correct place is another important aspect of the marketing mix. No matter how good product or service is, if the customer cannot find it, no purchases will be made. To determine the proper place to market your product, Market Manager must determine where the target audience is shopping for similar purchases. This might be in a brick-and-mortar storefront location or through an Internet store.

11. Promotion : There are multiple mediums available to promote a product or service to your target consumers, including word of mouth, newspapers and other print publications, television, radio ads and Internet advertising. The money Marketing Manager have available to spend for promotion can determine. A small business with a limited advertising budget can print and distribute low-cost fliers rather than spending money on expensive radio or television ads.

Factors Effect of Market Planning

(A) Internal Factors

Each department in an organization can affect marketing. For example, the finance department can limit the marketing budget, making it difficult to reach the target demographic. The production team can take too long to create the products and possibly not be able to meet demand, which can result in potential customers turning to competitive products.

(i) Product Development : Competition might add features to its product or introduce completely new products. Manager current customers might age out of target demographic group. New technology might threaten to make product or service obsolete. Perform a SWOT analysis of product or service each year to determine strengths, weaknesses, opportunities and threats so can stay ahead of the competition.

(ii) Price : Marketing Manager ultimately control what price will be, even when competitors raise or lower their prices. If he must lower prices, then have the opportunity to decrease overhead and production costs to help maintain profit margins.

(iii) Distribution : Where sell product is critical to maximizing sales volumes and profits. Marketing Manager can decrease the guesswork in choosing distribution channels by performing a SWOT analysis of each. This will help determine whether should use direct sales, wholesalers, retailers, distributors or sales reps. If Manager use intermediaries, can set limits on their activities. Monitor their performance and provide training and advice.

(iv) Communications : Your marketing team is responsible for creating, evaluating and choosing your advertising, promotions, public relations, sponsorship, cause-marketing and social media efforts. In addition to planning these activities internally, Manager can also track the return on investments using financial reports and tracking results via coupons, website statistics, sales reports and customer surveys.

(B) External Factor

(i) Economic Factors : The state of the current economy can have an effect on marketing, since it is related to consumer spending. The four stages of the economy cycle thorough prosperity, recession, depression and recovery. Consumers spend more during the prosperity stage than in the depression stage, which is when the lowest amount of consumer spending takes place. Marketing campaign, product offerings, and pricing must take into account the current economic cycle to be successful.

(ii) Social-Cultural Factors : Changes in the social-cultural environment can also affect marketing if the marketer is not prepared. The social-cultural environment is the relationship between the culture and means of marketing

(iii) Demographics : If an organization is implementing a marketing strategy for a business in a specific location, the demographics of the area can significantly affect marketing.

(iv) Competitors : If business has competitors with a similar product or service, it can affect marketing. Manager should Make marketing plan so that Company have a strategic advantage over competitors while not losing sight of own marketing objectives.

Market Share of the Company

Market share is a common way of comparing performances by companies or for measuring a company's standing within its industry as a whole. The greater the market share, the more dominant a company is within its industry. If a company is increasing its market share, it is growing faster than its competitors. Dividing a company's sales by its industry's sales gives its market share.

Define the market in terms of geographic area covered, types of products sold, and demographics of customers served. The more specific the market is, the more indicative of competitiveness market share.

Market Share is a fundamental measure of our competitiveness and effectiveness in attracting customers to our business and classic measure of Business Strength.

Market Share

(Customer penetration) × (Customer loyalty) × (Customer selectivity) × (Price selectivity)

Four Components

- **(Customer Penetration) :** Number of customers you have / number of total customers.
- **(Customer Loyalty) :** Number of transaction you get / total number of transactions.
- **(Customer Selectivity) :** Average size of your transactions / average size of all transactions
- **(Price Selectivity) :** Average price of your transactions/ average price of competitors

Q. *Which one of the following is true for the calculation of overall market share ?*

(Dec. 2012) P-II

(1) (Customer penetration) × (Customer loyalty) × (Price selectivity)

(2) (Customer loyalty) × (Customer selectivity) × (Price selectivity)

(3) (Customer selectivity) × (Price selectivity) × (Customer penetration)

(4) (Customer penetration) × (Customer loyalty) × (Customer selectivity) × (Price selectivity)

Ans. *(4)*

Q. *Marketing strategy development is also known as* ***(Dec. 2014) P-II***

(A) Marketing Control *(B) Marketing Exercise*

(C) Marketing Planning *(D) Situation Analysis*

Ans. *(C)*

Q. *The optimum capital structure of a company is planned as per considerations of*

I. Profitability *II. Solvency*

III. Marketability of shares *IV. Control*

Codes : ***(Dec. 2014) P-III***

(A) I, II and IV only *(B) II, III and IV only*

(C) I and II only *(D) III and IV only*

Ans. *(B)*

Q. *Which one of the following is true for the calculation of overall market share ?*
(Dec. 2015) P-II

(1) (Customer penetration) × (Customer loyalty) × (Price selectivity)

(2) (Customer loyalty) × (Customer selectivity) × (Price selectivity)

(3) (Customer selectivity) × (Price selectivity) × (Customer penetration)

(4) (Customer penetration) × (Customer loyalty) × (Customer selectivity) × (Price selectivity)

Ans. *(4)*

Q. *In the course of converting to a marketing-oriented company, a company may face which of the following hurdles ?* ***(Dec. 2015) P-III***

(1) Organized resistance *(2) Slow learning*

(3) Fast forgetting *(4) All of the above*

Ans. *(4)*

Q. *Match the items of List-I with List-II and denote the code of correct matching.*

	List-I		***List-II***
(a)	*Invest Strategy*	*(i)*	*No receiving of new resources.*
(b)	*Protect Strategy*	*(ii)*	*Well financed marketing efforts.*
(c)	*Harvest Strategy*	*(iii)*	*Selective resource allocation*
(d)	*Divest Strategy*	*(iv)*	*Not warranting substantial new resources.*

Codes : ***(Jan. 2017) P-II***

	(a)	***(b)***	***(c)***	***(d)***
(1)	*(ii)*	*(iii)*	*(iv)*	*(i)*
(2)	*(i)*	*(iii)*	*(ii)*	*(iv)*
(3)	*(ii)*	*(i)*	*(iv)*	*(iii)*
(4)	*(iv)*	*(iii)*	*(ii)*	*(i)*

Ans. *(1)*

11.1.6 Market Segmentation

Market segmentation is defined as "the process of taking the total, heterogeneous market for a product and dividing into several submarkets or segments, each of which tends to be homogeneous in all significance. The markets could be segmented in different ways. For instance, instead of mentioning a single market for 'shoes', it may be segmented into several sub-markets, e.g., shoes for executives, Doctors College students etc. Geographical segmentation on the very similar lines is also possible for certain products.

According to The Philip Kotler "Marketing segmentation is a process of dividing a market into distinct groups of buyers on the basis of needs, characteristics or behavior who might repair separate products or marketing mixes".

According to William A. Stanton "Market segmentation consists of taking the total heterogeneous market for a product and dividing it into served sub markets or segments each of which tends to be homogeneous in all significant aspects."

Thus, market segmentation is the process of subdividing of the target market into subgroups of consumer population with identifiable, district and homogeneous characteristics with a view to develop and pursued distinct and differentiated marketing programmes for such subgroup in order to enhance consumer satisfaction and the profit position of business.

Need For Market Segmentation

For market segmentation to become effective and result oriented, the following principles are to be observed :

1. Measurability of segments,
2. Accessibility of the segments,
3. Represent ability of the segments.

The main purpose of market segmentation is to measure the changing behavior patterns of consumers. It should also be remembered that variation in consumer behavior are both numerous and complex. Therefore, the segments should be capable of giving accurate measurements. But this is often a difficult task and the segments are to be under constant review.

The second condition, accessibility, is comparatively easier because of distribution, advertising media, salesmen, etc. Newspaper and magazines also offer some help in this direction. For examples, there are magazines meant exclusively for the youth, for the professional people, etc.

The third condition in the represent ability of each segment. The segments should be large and profitable enough to be considered as separate markets. Such segments must have individuality of their own. The segment is usually small in case of industrial markets and comparatively larger in respect of consumer products.

Importance of Market Segmentation

Market segmentation strategy offers several benefits to the organization as well as to the consumers. The important benefits enjoyed by the organization using this strategy are :

1. **Improves Knowledge of Market :** Market segmentation improves organization's understanding of the market. While doing market segmentation, the marketing manager studies the profile of consumers, their needs, wants and preferences.
2. **Identifies Market Opportunities :** Marketing manager is a better position of identify, compare and evaluate the marketing opportunities for his organization. He examines the level of satisfaction of different subgroups of consumers regarding the current marketing mix offered by various firms. The subgroups indicating lower level of satisfaction with the existing goods and services offered by various competing firms represent excellent marketing opportunities for his firm.
3. **Better Assessment of Competitors :** Market segmentation strategy helps the business firm is judging the strength and weaknesses of the competitors. If some of the market segments are served efficiently by the competitors, the firm may give up those segments and concentrate on other segments, which are not served properly by the competitors and take full advantage of market opportunities.
4. **Better Utilization of Firm's Resources :** By doing market segmentation the business firm targets only those consumer groups, which are neglected. This helps in minimizing the wastages and making optimum utilization of firm's resources
5. **Consumer Orientation :** By doing market segmentation, a business firm targets the consumer population to be served. Then it plans a systematic and matching marketing mix and programme to serve the needs of those consumers. This help the firm to serve its target consumers in a better way rather than trying to satisfy diverse needs of all varieties of consumers in market.

Basis for Segmenting Markets

As explained above, market segmentation consists in identifying a sufficient number of common buyer characteristics to permit sub division of the total demand for a product into economically viable segments. These segments fall between two extremes of total homogeneity and total heterogeneity. The various segments that are in vogue are as follows :

(A) Consumer Characteristics
   (1) Geographic
   (2) Demographic and Socio-
   (3) Psychographic
(B) Consumer Responses
   (1) Benefits
   (2) Product Segmentation
   (3) Loyalty
   (4) Occasion

(A) Consumer Characteristics Approach

Under this approach, person characteristics of consumers as to where they live, who are they, how they behave, etc. are considered for making segmentation of markets. Following is the brief explanation of these bases.

1. Geographic Segmentation : Chronologically this kind of segmentation appeared first, for planning and administrative purposes. The marketer often finds it convenient to sub-divide the country into areas in a systematic way. The great advantages of adopting this scheme are that standard regions are widely used by Government and it facilitates collection of statistics. Most of the national manufacturers split up their sales areas into sales territories either state-wise or district-wise.

2. Demographic and Socio-Economic Segmentation : Demography means the study of population. Under this method, the consumers are grouped into homogeneous groups in terms of demographic similarities such as age, sex, education, income level, etc. This is considered to be more purposeful since the emphasis ultimately rests on customers.

Socio-economic segmentation is based on socio-economic characteristics, such as income level, education, occupation, social class, religion and culture, family life cycle, etc. For example, the market for consumer goods in India is segmented into 3 segments - high income group, middle class and lower income group.

Such a type of segmentation helps in developing on demographic variables is the most populate for two reasons; firstly, consumer wants, preferences and usage rates are highly associated with these variables, and secondly, these variables are easier to measure than most other types of variables.

3. Psychographic Segmentation : Psychographic is a recent approach to market segmentation. This approach has been designed by Professor E. Denby, who says that psychographic tries to describe the human character of consumers that has influence on their responses to products, packing's, advertising and public relations efforts of the firm.

Psychographic characteristics include variable like - personality, attitudes, life-style.

(i) Personality : Personality means the individual's consistent reaction to world around him. Personality reflects the behavior of people. The personality variables are - dominance, aggressiveness, objectivity, achievement motivation, etc. These influence the buying behavior.

According to personality study conducted by a study group in U.S.A., it was revealed that Ford cars attracted the personalities with features like 'independent, impulsive, masculine, alert to change and self-confident, whereas Chevrolet cars are used by people who are conservative, thrifty, prestige conscious, less masculine and seeking to avoid extremes. Thus, personality has impact on buying behavior.

(ii) Life-Style : Life-style indicates the person's living and spending of time and money. It influences a person's allocation of income across his needs and among different brands of products. Thus, the customers can be grouped as Pleasure Seekers (or hedonistic), who try to purchase the latest varieties of goods and services without caring for their prices; Status Seekers, who try to buy the goods and services of superior quality that will reflect a high status in the society; and Plan People, who go for economical and normal quality goods and services that do their job quite decently.

(iii) Attitude : Attitude describes a person's predisposition and perception towards objects, individuals and events. It describes the positive or negative feeling of consumers towards the market mix offered to him by a firm and the firm itself. Attitudes are developed among the people out of beliefs, knowledge and thinking.

(B) Consumer Response Approach

Consumer characteristics approach focuses on who will be the consumer, whereas the consumer response approach pays attention to why the consumers buy the products and services. Consumer response to the market offerings provides significant bases for market segmentation. These responses are - benefits, usage, loyalty and occasion. A brief description of these bases goes as under:

1. Benefits Response : Benefit segmentation divides the market into groups according to the king of benefits they expect from goods and services of the firm. These benefits differ from product to product. These benefits are durability, efficiency, economy, resale value, prestige, etc. For example, in case of toothpaste, the benefits expected by the customers may be bright teeth, prevention of tooth decay, mouth freshness, taste, low price, etc.

2. Product Segmentation : When the segmentation of markets is done on the basis of product characteristics that are capable of satisfying certain special needs of customers, such a method is known as product segmentation. The products, on this basis, are classified into :

- Prestige products, e.g. automobiles, clothing.
- Maturity products, e.g. cigarettes, blades.
- Status products, e.g. most luxuries.
- Anxiety products, e.g. medicines, soaps.
- Functional products, e.g. fruits, vegetables.

The argument in favor of this type of product segmentation is that it is directed towards differences among the products which comprise markets. Where the products involved show great differences, this method is called a rational approach.

3. Loyalty Response : Loyalty segmentation divides buyers into different groups according to their degree of loyalty, as under :

- **Hard Core Loyal :** Customers who go for one brand all the time.
- **Soft Core Loyal :** Customers who prefer two to three brands only.
- **Shifting Loyal :** Customers who often change loyalty from one to another over a period of time.

Brand Switchers : Customers who are not loyal to any brand. They accept product with any brand. The customers in each of the above segments are further divided on the basis of demographic, socio-economic, geographical and psychographic patterns. Marketing strategies, advertising and product appeals are specially designed for each of these loyalty based segments to convert them into hard core loyal.

4. Occasion Response : Occasion response segmentation determines which situations produce optimum consumption pattern for a given product. For example, local rice is used for daily consumption, but when special occasions arrive, consumers prefer branded rice. Thus, the above bases can be used to segment the market for the convenience of marketing. Markets are segmented using two or more of the above bases and proper market mix is provided for target market segments.

Steps in Marketing Segmentation

- Define the market
- Create market segments
- Evaluate the proposed market segments for viability
- Construct segment profiles
- Evaluate the attractiveness of each segment
- Select target market/s

Markets on The Basis of Segmentation

It is now certain that any market could be segmented to a considerable extent because buyers' characteristics are never similar. This, however, does not mean that manufacturers may always try to segment their market. On the basis of the intensity of segmentation, marketing strategies to be adopted may be classified into :

1. Undifferentiated Marketing : When the economies of organization do not permit the division of market into segments, they conceive of the total market concept. In the case of fully standardized products and where substitutes are not available, differentiation need not be undertaken. Under such circumstances firms may adopt mass advertising and other mass methods in marketing, e.g., Coca Cola.

2. Differentiated Marketing : A firm may decide to operate in several or all segments of the market and devise separate product-marketing programmes. This also helps in developing closeness between the producer and the consumer. In recent years most firms have preferred a strategy of differentiated marketing, mainly because consumer demand is quite diversified. For example, cigarettes are now manufactured in a variety of lengths and filter types.

This provides the customer an opportunity to select his or her choice from filtered, unfiltered, long or short cigarettes. Each kind offers a basis for segmentation also. Though the differentiated marketing is sales-oriented, it should also be borne in mind that it is a costly affair for the organization.

3. Concentrated Marketing : Both the concepts explained above imply the approach of total market either with segmentation or without it. Another option is to have concentrated efforts in a few markets capable of affording opportunities. Put in another way, 'instead of spreading itself in many parts of the market, it concentrates its forces to gain a good market position in a few areas. Then new products are introduced and test marketing is conducted, and this method is adopted. For a consumer product 'Boost' produced by the manufacturers of Horlicks, this method was adopted. The principle involved here is 'specialization' in markets which have real potential. Another notable feature of this method is the advantage of one segment is never offset by the other. But in the case of the first two types, good and poor segments are averaged.

11.1.7 Targeting

After the most attractive segments are selected, a company should not directly start targeting all these segments other important factors come into play in defining a target market. Four sub activities form the basis for deciding on which segments will be targeted.

The four sub activities within targeting are :

1. Defining the abilities of the company and resources needed to enter a market
2. Analyzing competitors on their resources and skills
3. Considering the company's abilities compared to the competitors' abilities
4. Deciding on the actual target markets.

Basis of Target Marketing

- Age
- Gender
- Interests
- Geographic location
- Need
- Occupation

Targeting can only be done when segments have been defined, as these segments allow firms to analyze the competitors in this market. When the process of targeting is ended, the markets to target are selected, but the way to use marketing in these markets is not yet defined. To decide on the actual marketing strategy, knowledge of the differential advantages of each segment is needed.

Selecting The Market Segments

As a result of evaluating different segments, the company hopes to find one or more market segments worth entering. The company must decide which and how many segments to serve. This is the problem of target market selection. A target market consists of a set of buyers sharing common needs or characteristics that the company decides to serve. The company can consider five patterns of target market selection.

1. **Single Segment Concentration :** In the simplest case, the company selects a single segment. This company may have limited funds and it may want to operate only in one segment, it might be a segment with no competitor, and it might be a segment that is a logical launching pad for further segment expansion.
2. **Selective Specialization :** A firm selects a number of segments, each of which is attractive and matches the firm's objectives and resources. This strategy of 'multi-segment coverage' has the advantage over 'single-segment coverage' in terms of diversifying the firm's risk i.e. even if one segment becomes unattractive, the firm can continue to earn money in other segments.
3. **Product Specialization :** The firm concentrates on marketing a certain product that it sells to several segments. Through this strategy, the firm builds a strong reputation in the specific product area.
4. **Market Specialization :** The firm concentrates on serving many needs of a particular customer group. The firm gains a strong reputation for specializing in serving this customer group and becomes a channel agent for all new products that this customer group could feasibly use.
5. **Full Market Coverage :** The firm attempts to serve all customer groups with all the products that they might need. Only large firms can undertake a full market coverage strategy. e.g. Philips (Electronics), HLL (Consumer non-durables).

Large firms going in for whole market can do so in two broad ways- through undifferentiated marketing or differentiated marketing.

11.1.8 Positioning

When the list of target markets is made, a company might want to start on deciding on a good marketing mix directly. But an important step before developing the marketing mix is deciding on how to create an identity or image of the product in the mind of the customer. Every segment is different from the others, so different customers with different ideas of what they expect from the product. In the process of positioning the company:

1. Identifies the differential advantages in each segment
2. Decides on a different positioning concept for each of these segments. This process is described at the topic positioning; here different concepts of positioning are given.

In positioning, the marketing department creates an image for the product based on its intended audience. This is created using promotion, price, place and product. The more intense a positioning strategy, typically the more effective the marketing strategy is for a company. A good positioning strategy elevates the marketing efforts and helps a buyer move from knowledge of a product or service to its purchase.

Steps to Product Positioning

Marketers with the positioning process try to create a unique identity of a product amongst the customers.

1. Know Target Audience

It is essential for the marketers to first identify the target audience and then understand their needs and preferences. Every individual has varied interests, needs and preferences. No two individuals can think on the same lines.

Know what your customers expect out of you.

The products must fulfill the demands of the individuals.

2. Identify The Product Features

The marketers themselves must be well aware of the features and benefits of the products. It is rightly said you can't sell something unless and until you yourself are convinced of it.

A marketer selling Nokia phones should himself also use a Nokia handset for the customers to believe him.

3. Unique Selling Propositions (USPs)

Every product should have USPs; at least some features which are unique. The organizations must create USPs of their brands and effectively communicate the same to the target audience.

The marketers must themselves know what best their product can do.

Find out how the products can be useful to the end-users ?

Why do people use "Anti Dandruff Shampoo?"

Anti -Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in the minds of the individuals.

Individuals purchase "Dabur Chyawanprash "to strengthen their body's internal defense mechanism and fight against germs, infections and stress. That's the image of Dabur Chyawanprash in the minds of consumers.

4. Know about Competitors

- A marketer must be aware of the competitor's offerings. Let the individuals know how product is better than the competitors?
- Never underestimate competitors.
- Let the target audience know how product is better than others.
- The marketers must always strive hard to have an edge over their competitors.

5. Ways to Promote Brands

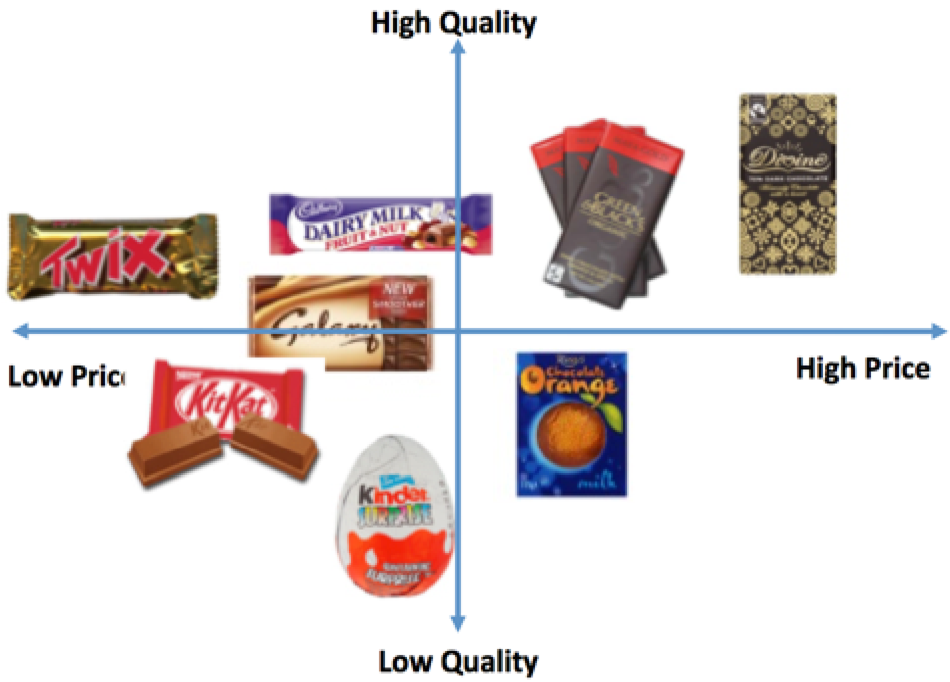
- Choose the right theme for the advertisement.
- Use catchy taglines.
- The advertisement must not confuse people.
- The marketer must highlight the benefits of the products.

6. Maintain the Position of the Brand

- For an effective positioning it is essential for the marketers to continue to live up to the expectations of the end - users.
- Never compromise on quality.
- Don't drastically reduce the price of products.
- A Mercedes car would not be the same if its price is reduced below a certain level.
- A Rado watch would lose its charm if its price is equal

A useful framework for analyzing market positioning is a "positioning map". A market (or positioning) map illustrates the range of "positions" that a product can take in a market based on two dimensions that are important to customers.

An example of a positioning map for chocolate bars (using dimensions of price and quality) might look like the one below :



Targeting and Positioning

Segmentation, Targeting and Positioning (STP) are the three vital components of a firm's strategic marketing efforts. Organisations, in their endeavour to create a space for themselves in the market, may devise revolutionary products or services. However, this is not enough. They must also carefully identify who, among the population, would ideally purchase the product or service, and what they seek from such a transaction.

A well executed and implemented STP program will help the firm in devising the proper marketing mix - the right product to be sold at the Right Place at the Right Price and in the Right way.

Informed by	Stage of target marketing	Informs
Market research and analysis of customer data	**Segmentation** Identify customer needs and segment market	• Market segment definition • Persona development • Customer experience requirements
Demand analysis	**Target marketing** Evaluate and select target segments	• Select online targeting • Target segments • Online revenue contribution for each segment • Customer lifecycle targeting
Competitor analysis Internal analysis	**Positioning** Identify proposition for each segment	• Core brand proposition • Online value proposition • Online marketing mix • Lifecycle brand development and proposition messaging
Evaluation of resources	**Planning** Deploy resources to achieve plan	• Online marketing mix • Restructuring • Automated online customer contact strategy

Fig. : Stages in Target Marketing Strategy Development

The division of a broad market into small segments comprising of individuals who think on the same lines and show inclination towards similar products and brands is called Market Segmentation.

Market Segmentation refers to the process of creation of small groups (segments) within a large market to bring together consumers who have similar requirements, needs and interests.

The individuals in a particular segment respond to similar market fluctuations and require identical products.

In simpler words market segmentation can also be called as Grouping.

Kids form one segment; males can be part of a similar segment while females form another segment. Students belong to a particular segment whereas professionals and office goers can be kept in one segment.

ADCAD (A Knowledge-based System for Advertising Design)

The ADCAD System was designed to assists advertiser of consumer products with the formulation of advertising objective, copy strategy, and selection communication approach. A user who wants to obtain ADCAD advice a specific situation has to provide ADCAD information about the brand, product class and target market.

Q. *The final step in target marketing is* ***(June 2014) P-III***

(A) Market Analysis *(B) Market Positioning*

(C) Market Segmentation *(D) Market Targeting*

Ans. *(B)*

Q. *Target marketing involves which of the following activities ?* ***(June 2015) P-III***

(a) Market positioning *(b) Market targeting*

(c) Market behavior *(d) Market segmentation*

Code :

(A) (a) and (b) *(B) (b) and (d)*

(C) (a), (b) and (d) *(D) (b), (c) and (d)*

Ans. *(C)*

Q. *Which of the following can be used by a company as communication mix to reach the target customers ?* ***(June 2015) P-III***

(a) Advertising *(b) Sales promotion*

(c) Events and experiences *(d) Public relations*

(e) Direct marketing *(f) Personal selling*

Codes :

(A) (a), (b), (d) and (f) *(B) (a), (b), (e) and (f)*

(C) (a), (b), (d), (e) and (f) *(D) (a), (b), (c), (d), (e) and (f)*

Ans. *(D)*

Q. *The model of decision support where there is recommendation of the type of advertisement with humorous and slice of life. Kinds of appeals to use for given marketing goals and characteristics of products, target markets and competitive situations is known as :* ***(Dec. 2015) P-III***

(1) MEDIAC *(2) PROMOTOR*

(3) ADCAD *(4) COVER STORY*

Ans. *(3)*

Q. *Which type of differentiation is used to gain competitive advantage through the way a firm designs its distribution coverage, expertise and performance ?* ***(July 2016) P-II***

(1) Channel differentiation *(2) Services differentiation*

(3) People differentiation *(4) Product differentiation*

Ans. *(1)*

Q. *Market sub-divided on the basis of behavioral characteristics is called* ***(June 2012) P-III***

(A) Segmentation *(B) Aggregation*

(C) Precision *(D) None of the above*

Ans. *(A)*

Q. *Which of the following is not a method of segmenting a market ?* ***(Dec. 2014) P-III***

(A) Behavioral segmentation *(B) Psychographic segmentation*

(C) Benefits segmentation *(D) Customer segmentation*

Ans. *(D)*